



State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt  
Governor

Kathleen Clarke  
Executive Director

Lowell P. Braxton  
Division Director

1594 West North Temple, Suite 1210  
PO Box 145801  
Salt Lake City, Utah 84114-5801  
801-538-5340  
801-359-3940 (Fax)  
801-538-7223 (TDD)

January 25, 2001

CERTIFIED RETURN RECEIPT  
7000 0520 0021 7582 8432

Mr. Lee Brown  
Magnesium Corporation of America  
238 North 2200 West  
Salt Lake City, Utah 84116

Re: Request for Increase in Reclamation Surety, Magnesium Corporation of America  
(MagCorp), Knolls Solar Pond Facility, M/045/022, Tooele County, Utah

Dear Mr. Brown:

The reclamation surety for the Knolls Facility was last evaluated by the Division in 1990 and was escalated to 1995 dollars. We presently hold a reclamation surety bond in the amount of \$110,000 for 176 acres of disturbance. The existing surety estimate is overdue for reevaluation. As you are aware, we have been working with your company over this past year to obtain supplemental information to update the approved mining and reclamation plan.

On December 11, 2000, the Division received a formal request from the Bureau of Land Management's (BLM) Utah State Office to increase the reclamation surety amount held for the MagCorp Knolls Facility. A detailed reclamation cost estimate was prepared by the BLM and forwarded to the Division (copy enclosed). The Minerals Program technical staff has reviewed the bond estimate and concurs with its methodology and content.

Because the Division presently holds the bond for this operation, predominantly located on BLM land, the BLM has asked that the existing bond amount be modified to accommodate the revised reclamation tasks and also modified to include the BLM as co-beneficiary. Because there are also parcels of State land involved with this permit, the reclamation tasks and cost estimate for these lands were revised to be consistent with the tasks and reclamation costs applied to BLM land.

000345

Page 2

Mr. Lee Brown

MagCorp - M/045/022

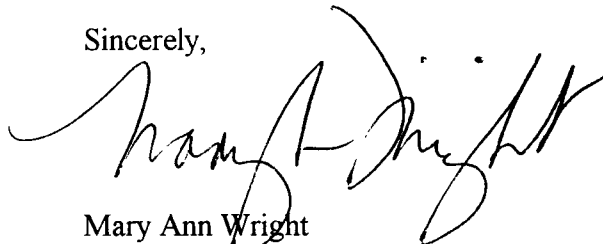
January 25, 2001

The Division requests that MagCorp provide the following:

1. Post a \$6,051,640 replacement surety as calculated in the attached cost estimate, within 90 days of your receipt of this letter.
2. A replacement Reclamation Contract (Form MR-RC, copy enclosed), which will be tied to the revised form of reclamation surety.
3. Appropriate updates and revisions to the mining and reclamation plan that correspond with the reclamation tasks outlined in the attached cost estimate within 45 days of your receipt of this letter.

Please contact me at (801) 538-5306, or Wayne Hedberg at 538-5286, if you have questions concerning this letter.

Sincerely,



Mary Ann Wright  
Associate Director Mining

jb

Enclosures: Knolls Cost Estimate, Form MR-RC, Form MR-6

cc: Sally Wisely, Director, State BLM Office  
Glenn Carpenter, Salt Lake District BLM Office  
Wayne Hedberg, DOGM

M45-22.bnd

000346